HOUSING GRANT APPLICATION

HOME PROGRAM FOR FISCAL YEAR 2007

Program Description and Application Package
Tennessee Housing Development Agency

The Tennessee Housing Development Agency (THDA) administers the federally funded HOME program to promote the production, preservation and rehabilitation of housing for low-income households. The purpose of this Program Description is to explain the requirements and the application process of the HOME program.

HOME funds are awarded through a competitive application process to cities, counties and non-profit organizations outside local participating jurisdictions. Local participating jurisdictions (PJs) are those local governments in Tennessee that receive HOME funds directly from the Department of Housing and Urban Development. The Local PJs are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville-Davidson County, Knox County, Shelby County and the Northeast Tennessee/Virginia Consortium (the cities of Bristol, Kingsport, Johnson City, Bluff City, and Sullivan and Washington counties). CHDOs and non-profit organizations located in a local participating jurisdiction may apply for projects located outside the local participating jurisdictions. An applicant must apply for at least $100,000 and may apply for a maximum HOME grant of $500,000. There is a $750,000 limit on the amount of HOME funds that can be awarded to any one county.

Applications for the HOME program must be received by THDA on or before Friday, March 16, 2007. THDA anticipates notifying successful applicants by the end of May, 2007. HOME contracts will begin July 1, 2007 and will end June 30, 2010.

The program description is followed by the application package. The program description and pdf-fillable application is also available at www.tennessee.gov/thda. Once at the THDA website, click on COMMUNITY PROGRAMS. There will be links on the left side of the Community Programs page for the program description, the application and the application attachments. If you have questions, call (615) 741-3007.

The HOME Program

This program is governed by Title 24 Code of Federal Regulations, Part 92. Those regulations are incorporated by reference in this Program Description. The federal regulations take precedence over this program description in cases of conflicting requirements.

A. ELIGIBLE APPLICANTS

The State of Tennessee, through THDA, will accept applications for the HOME program from cities, counties, and private, non-profit organizations. Non-profit applicants must submit **Part I** of **Attachment One: Non-Profit Checklist/CHDO Designation** with supporting documentation.

To be eligible the non-profit organization must:

1. Be organized under Tennessee law, as evidenced by a Certificate of Existence from the Tennessee Secretary of State dated within twelve months of the application due date;

2. Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual;

3. Have among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws, and experience in the provision of housing to low income households;

4. Have standards of financial accountability that conform to 24 CFR 84.21, *Standards of Financial Management Systems*; and

5. Have an IRS designation under Section 501(c)(3) of the tax code. *Non-profit applicants may not submit an application until they have received their 501(c)(3) designation from the IRS.*

THDA will also accept HOME applications from community housing development organizations (CHDOs). A CHDO is a private, non-profit organization that meets all the requirements for a non-profit listed above, plus the following additional requirements:

1. Is neither controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the organization. A CHDO may be sponsored or created by a for-profit entity, but

   a. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer or real estate management firm;

   b. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members; and

   c. The CHDO must be free to contract for goods and services from vendors of its own choosing.

2. Does not include a public body (including the participating jurisdiction). An organization that is State or locally chartered may qualify as a CHDO; however, the State or local government may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of the participating jurisdiction or State Recipient. Board members appointed by the State or local government may not appoint the remaining two thirds of the board members;

3. Maintains accountability to low income community residents by:

   a. Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. For urban areas, "community" may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and

   b. Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, site selection, development, and management of affordable housing.

4. Has a demonstrated capacity for carrying out activities assisted with HOME funds. An organization may satisfy this requirement by hiring experienced key staff members who have successfully completed similar projects, or a consultant with the same type of experience and a plan to train appropriate key staff members of the organization; and

5. Has a history of serving the community within which the housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created CHDO formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

CHDOs may only apply for HOME funding for projects in which the CHDO is the owner, sponsor or developer. CHDO applicants must submit **Part I and Part II** of **Attachment One: Non-Profit Checklist/CHDO Designation** with supporting documentation signed by the applicant's counsel. With their permission, unsuccessful CHDO applicants will be referred to the HUD Technical Assistance provider to develop capacity.

Applicants with prior HOME grants must also have *requested* (submitted an official Request for Payment Form with supporting documentation) the following percentages of their grants by February 28, 2007 to be eligible for the 2007 HOME program:

HOME GRANT YEAR	SPEND DOWN REQUIREMENT
1992 – 2003	100%
2004	75%
2005	50%
2006	25%

These spending requirements also apply to applications from CHDOs. In addition, CHDOs that were funded for homeownership programs that generate CHDO proceeds will have to demonstrate a need for additional HOME funds to be eligible for the 2007 HOME program.

Subject to review by the Grants Committee of the THDA Board of Directors, applicants who have not submitted required documentation to close a prior grant or applicants found in material non-compliance with THDA rules are disqualified.

B. ALLOCATION OF FUNDS

HOME funds committed to the State of Tennessee, through THDA, will be allocated as promulgated in the State of Tennessee's Consolidated Plan, as amended. THDA will spend up to ten percent of its HOME allocation for administrative and planning expenses. THDA will use three percent of these funds for its own administrative expenses. The remaining seven-percent is available to pay the administrative costs of local governments and non-profit grant recipients. The balance of THDA's FY 2007 HOME allocation will be divided as follows:

CHDO Set-aside. Fifteen percent (15%) of the total allocation will be reserved for eligible applications from CHDOs outside the local participating jurisdictions or from CHDOs located in local participating jurisdictions, but proposing projects outside the local participating jurisdictions. Beginning with the 2007 grant year, THDA will accept applications for the CHDO set-aside for projects in Clarksville, Jackson, Knox County and Shelby County. The THDA HOME funding to successful applicants for projects in these four jurisdictions will be reduced by the amount of funding the CHDO receives from the local participating jurisdiction to keep within the $500,000 maximum grant. THDA may spend up to seven percent of the CHDO set-aside for CHDO operating expenses. Funds not committed to CHDOs within 24 months will be recaptured by HUD. If in the opinion of THDA, the applications submitted do not represent CHDOs with viable proposals or with the organizational potential to comply with all HOME affordability requirements, THDA may choose not to award all of the FY 2007 CHDO funds in the current application round.

Special Needs Set-aside. Ten percent (10%) of the total allocation will be reserved for eligible applicants proposing special needs projects. Special needs projects include, but are not limited to, housing designed for persons with an unusual need due to a condition that can be either a permanent or temporary disability. In a mixed project, over one half of the units must be targeted to special needs households to be considered a special needs project. Projects targeted to the elderly are not considered special needs projects. Special needs projects will be scored and ranked on a separate special needs matrix. See *Eligible Activities,-Section C, Special Needs-Housing* for additional information. If there are not enough applicants for the Special Needs Set-aside, the remaining funds will be combined with the funds in the Regional Allocation.

Regional Allocation. The remaining 65% of the HOME funds will be allocated regionally, based upon the percentage of low-income households outside the local participating jurisdictions. See **Attachment Two: Regional Allocation Plan**. Counties will be grouped in regions that correspond to the existing nine development districts across the state with three regions in each Grand Division. There will be a matrix for each region and the applicants will be scored, ranked and funded until the funds are used. There will be a $750,000 maximum grant per county in each region, and grants will be reduced proportionately should there be multiple successful applicants from the same county with a minimum grant of $250,000. In the event that a regionis not able to utilize its total allocation, the funds would be reallocated within the Grand Division, and the unfunded applicants from the other two regions would compete for the remaining funds in a Grand Division matrix.

HOME awards will be in the form of a grant. There is, however, an exception for rental housing projects. For small rental projects (those with less than 12 units) the HOME funds awarded to a successful applicant can be in the form of a loan or grant. For rental projects of 12 or more units, HOME funds will be awarded to successful applicants only in the form of a loan, subject to terms and conditions approved by THDA.

C. ELIGIBLE ACTIVITIES

There are specific eligible activities under the HOME Program that must address the housing needs of low-income households. Housing includes manufactured housing and manufactured housing lots, permanent housing for disabled homeless persons, transitional housing, single-room occupancy housing and group homes. Housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities and student dormitories. Eligible housing activities include:

1. Homeowner rehabilitation programs.

Reconstruction. For the purposes of the HOME program, rehabilitation includes the demolition and rebuilding or reconstruction of substandard housing. Reconstruction is defined as the rebuilding, on the same lot, of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project. However, the number of rooms per unit may be increased or decreased depending upon the needs and the size of the household. The reconstructed housing must be substantially similar (i.e., single- or multi-family housing) to the original housing. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing. All reconstructed units will have a compliance period of 15 years.

New Construction without acquisition. Based upon approval by THDA, replacement of a manufactured housing unit with a stick-built unit is considered new construction. It can be considered an eligible activity as long as all of the requirements for homeownership, including the affordability period and the resale/recapture provisions, are met.

Conversion. Under the HOME program, rehabilitation also includes the conversion of an existing structure from an alternative use to affordable, residential housing. If conversion involves additional units beyond the walls of an existing structure, the project will be deemed new construction. Conversion of a structure to commercial use is not an eligible use of HOME funds.

Manufactured Housing. For purposes of this program description, the definition of manufactured housing contained in the Code of Federal Regulations and used by HUD is adopted. Manufactured housing is transportable in one or more sections, which in the traveling mode is eight feet or more in width, or forty feet or more in length, or when erected on site, is 320 or more square feet in size; is built on a permanent chassis to assure the initial and continued transportability of the structure; and is designed to be used as a dwelling with or without a permanent foundation.

Under limited circumstances, HOME funds may be used to renovate existing manufactured housing, but the HOME assistance will be limited to a maximum of $10,000 for single-wide units. Multiple-width units will be evaluated and pre-approved by THDA on a case by case basis. The $10,000 limit does not apply to the replacement of substandard manufactured housing units under reconstruction; however, replacement must also be pre-approved by THDA.

To receive assistance, the owner of the manufactured home must also own the land on which the home is located or have a 99-year lease.

Housing Rehabilitation and Lead-based Paint. Rehabilitation subsidies are capped at $25,000 per unit for all rehabilitation hard costs. The $25,000 cap does not include the hard costs required to treat lead paint hazards. The costs for lead-based paint inspections, risk assessments and clearance testing are project soft costs, as are the costs for work write-ups and inspections. Soft costs are not included in the $25,000 cap on rehabilitation. The cap does not apply to instances of reconstruction.

If a risk assessment indicates that there is no lead present in a given house, THDA will consider a request to exceed the $25,000 limit on the cost of the rehabilitation of the unit. If a risk assessment indicates the presence of lead, THDA will consider a request on a case by case basis to exceed the $25,000 limit which will require abatement.

2. Homeownership Programs.

CHDOS. Construction financing or acquisition/rehabilitation to provide applicants an up front source of funds (without interest costs) to build affordable new single-family units. The CHDO must be the owner, sponsor or developer of the project. At the time of permanent financing the HOME funds are repaid to the CHDO as CHDO proceeds and are used for additional single-family units under homeownership. A CHDO must allow up to $14,999 of HOME funds to remain with the unit as a soft second mortgage necessary to qualify the family for permanent financing. THDA requires that a subsidy remain in the financing when the unit is sold so affordability is based on the less restrictive recapture provision of the HOME rule.

Cities, counties and non-profit organizations (non-CHDO). Homeownership programs are restricted to a soft second mortgage necessary to qualify the family for permanent financing.

Soft second mortgages. Any HOME funds used for a soft second mortgage in homeownership programs are limited to a maximum subsidy of $14,999 per household with a five-year affordability period forgiven at the end of the fifth year.

Under homeownership programs, THDA encourages the use of THDA mortgages or comparable financing whenever possible. The proposed permanent financing must be at an interest rate which does not exceed the prevailing THDA Great Rate by more than two percentage points. All loans must have a fixed interest rate fully amortizing over the term of the loan. There can be no pre-payment penalty for early payoffs.

Before construction or acquisition and rehabilitation can begin under homeownership, all units must have qualified buyers pre-approved for a permanent loan. No speculative construction or acquisition is allowed. However, lease purchase is permitted if necessary. In addition, all buyers must complete a homebuyer education program prior to purchase. The sales price limits for homeownership programs are the same as the property value limits for homeowner rehabilitation programs. See **Attachment Three: Property Value Limits.**

3. Rental Housing Programs.

New construction of rental housing units.

Acquisition and/or rehabilitation of rental housing units.

Special Needs Housing. New Construction, acquisition and/or rehabilitation of special needs housing, including transitional housing, single-room occupancy housing and group homes, for persons with a physical, emotional or mental disability.

A *person with disabilities* means a household composed of one or more persons, at least one of who is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental or emotional impairment that is expected to be of long-continued and indefinite duration; substantially impedes his or her ability to live independently; and is of such a nature that such ability could be improved by more suitable housing.

A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the person attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and reflects the person's need for a combination and sequence of special interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.

Transitional housing means housing that is designed to provide housing and appropriate support services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children; and has as its purpose facilitating the movement of individuals and families to independent living within a time period that is set by the grantee or project owner before occupancy.

Group Home means housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one-bedroom units) separate private space for each household. Supportive services may be provided. A group home is generally a large single-family unit, and is considered a one-unit project.

The subsidy limit is based upon the number of bedrooms in the unit, including bedrooms occupied by resident support service providers.

Rents for HOME-assisted group homes are based upon the number of bedrooms in the unit, excluding bedrooms occupied by live-in support service providers, with each household paying its proportionate share of the total unit rent.

Single Room Occupancy (SRO) housing means housing consisting of clearly identifiable separate dwelling units that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both) if the project consists of new construction, conversion of non-residential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure or hotel, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by the tenants.

The maximum per unit subsidy is the subsidy for zero-bedroom units times the number of HOME-assisted units in the structure. However, in no event may the maximum subsidy exceed the actual development cost of the HOME-assisted units based on their proportionate share of the total development cost.

If the HOME-assisted SRO unit has neither food preparation nor sanitary facilities, or only one, the rent may not exceed 75% of the FMR for a zero bedroom unit.

If the HOME-assisted SRO unit has both food preparation and sanitary facilities in the unit, the High and Low HOME rent requirements of the HOME program apply. See *Section H-Additional Requirements for HOME Rental Housing Programs*.

Applicants proposing rental housing programs will need to complete **Attachment Four: Rental Housing Feasibility Worksheet**. HOME funds are used as gap financing, and the applicant must demonstrate a need for the HOME funds. If the project development costs require additional financing, documentation must be provided that the other financing has been secured. If the project can support a debt, other financing will be a threshold requirement. Projects which propose assistance to private, for-profit rental property owners will be required to provide a one to one match for the HOME dollars as a threshold requirement.

4. CHDO Operating Expenses, Developer's Fees and CHDO Proceeds.

CHDO Operating Expenses. CHDO may request up to 7% of the grant as CHDO operating expenses to help with the administrative costs of operating a housing program. Operating expenses are separate from project funds.

Developers Fees. A CHDO may also request an 8% developer's fee if the CHDO is acting as a developer of housing. The developer's fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit. The developer's fee is a project soft cost and counts against the maximum per unit subsidy limit.

CHDO Proceeds. CHDO proceeds are the HOME funds returned to a CHDO upon the sale of a unit developed by the CHDO from the buyer's permanent financing. The CHDO must use its CHDO proceeds to develop more housing. A CHDO may use 15% of the CHDO proceeds for operating expenses, 7% for administration and 8% for developer's fees. Once the CHDO proceeds are used a second time to develop more housing, the HOME restrictions on the use of proceeds are eliminated. There is, however, a cap of 25% on the amount of CHDO proceeds that can be used for operating or administrative expenses and a CHDO must submit audited financial statements annually that the 25% cap has not been exceeded. (This policy applies retroactively to existing CHDO proceeds as well as the 2006 and future HOME programs.)

5. Project Soft Costs.

In planning their programs, applicants may include as a project soft cost the costs for inspections and work write-ups. There is a limit to these costs of 7% of the hard costs of the rehabilitation or construction, not to exceed $2,100 or be less than $500. In addition to the costs for inspections and work write-ups, the costs for lead-based paint inspections, risk assessments and clearance testing are also paid as project soft costs. All project soft costs are not included in the $25,000 cap on rehabilitation, but they do count toward the maximum per unit subsidy limit.

D. PROHIBITED ACTIVITIES

1. Provide project reserve accounts, or operating subsidies;

2. Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;

3. Provide non-federal matching contributions required under any other Federal program;

4. Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing);

5. Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization);

6. Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages;

7. Provide assistance (other than assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by HUD and THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount;

8. Pay for any cost that is not eligible under 24 CFR 92.206 through 92.209; and

9. Homeowner rehabilitation projects are not an eligible activity for a CHDO. A CHDO can only participate in the HOME program if they are the owner, sponsor or developer of a project.

E. LAYERING

Layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the project. Such activity is prohibited. Grantees will analyze each project to insure that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the Maximum Per Unit Subsidy Limit.

F. MATCH AND LEVERAGE

For the FY 2007 HOME program, THDA will continue to provide the required federal match. Although, no local match is required from applicants, THDA will count toward its matching requirement any non-federal project funds that qualify as match under the HOME rule.

In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the local governments, grants from other sources and cash from program beneficiaries. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage. Administrative funds, *anticipated* fund-raising revenues, THDA BUILD loan funds, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years.

The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the program. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

In addition, for rental projects, HOME funds are to be used a gap funding, and the applicant must demonstrate a need for the HOME funds. If development costs require other financing, documentation must be provided that the other financing has been secured. If a rental project can support a debt, other financing will be a threshold requirement. For projects that provide assistance to private, for-profit owners of rental property, a dollar for dollar match of the HOME funds will be required as threshold.

G. HOME PROGRAM REQUIREMENTS

1. INCOME LIMITS

HOME funds may be used to benefit only low-income or very low-income households. "Low income households" means an individual or family unit whose income does not exceed 80% of the area median income, adjusted for family size. "Very low income household" means an individual or family unit whose income does not exceed 50% of the area median income, adjusted for family size.

For rental property, the income limits apply to the incomes of the tenants, not to the owners of the property. At initial occupancy 90% of the tenant households must have incomes below 60% of the area median income, adjusted for family size. (Refer to *Section H - Additional Requirements for HOME Rental Programs*.)

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other family member residing in the home or rental unit. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Current limits are in **Attachment Five: Income Limits for the HOME Program**. Median income for an area or the state shall be that median income estimate made by the Department of Housing and Urban Development. Median incomes change when HUD makes revised estimates.

2. FORMS OF ASSISTANCE

Homeowner rehabilitation and rental housing programs. Assistance from grant recipients to program beneficiaries will be limited to forgivable grants that are completely forgiven after a specified period of time as long as the beneficiary adheres to the conditions of the grant.

Homeownership programs. Assistance from grant recipients to program beneficiaries as soft second mortgages will be limited to loans which are forgiven at the end of 5 years.

Rental programs. For small rental projects (those with less than 12 units) the HOME funds awarded to a successful applicant can be in the form of a loan or grant. For rental projects of 12 or more units, HOME funds will be awarded to successful applicants only in the form of a loan, subject to terms and conditions approved by THDA.

Applicants may request approval from THDA to provide loans which generate program income. During the time the HOME grant is active, drawn requests must be reduced by accumulated program income before drawing down “new” HOME funds. Once a HOME grant is closed out, program income must be accounted for and reported to THDA at least quarterly. A Grantee may also elect to return accumulated program income to THDA on a quarterly basis.

3. COMPLIANCE PERIOD

Homeowner rehabilitation without reconstruction. Grants for homeowner rehabilitation projects that do not involve reconstruction shall have a compliance period of at least five years with a forgiveness feature of 20% annually. In order to enforce the compliance period, THDA will require that homeowners sign both a grant note and a deed of trust.

Homeowner rehabilitation with reconstruction. Grants for homeowner rehabilitation projects involving reconstruction of substandard units will have a compliance period of 15 years with a forgiveness feature of 6.66% annually. In order to enforce the compliance period, THDA will require that homeowners sign both a grant note and a deed of trust.

If the homeowner of a property that has been rehabilitated or reconstructed dies during the compliance period and the property is inherited by heirs, the property may be rented without repaying the unforgiven portion of the HOME subsidy to THDA. However, if the house is sold by the heirs during the affordability period, the remaining unforgiven portion must be repaid to THDA. (This policy may be applied retroactively to prior HOME projects as needed.)

*Homeownership Programs***.** A CHDO must leave up to $14,999 of HOME funds in the unit as a soft second mortgage necessary to qualify a household for permanent financing. There will be an affordability period of five years which is forgiven at the end of the 5th year if the unit remains in compliance, i.e., remains the primary residence of the initial homebuyer and is not leased. If the unit remains in compliance but is sold during the affordability period, the amount of the HOME subsidy subject to recapture will be reduced by 20% per year. In order to enforce the compliance period, THDA will require that the homebuyer sign both a note and a deed of trust.

Under construction financing, the per unit amount of HOME funds and the affordability period they trigger are based upon the amount of HOME funding invested in the unit. In order to enforce the provisions of the Working Agreement, THDA will require that a restrictive covenant be recorded against the property.

HOMEOWNERSHIP ASSISTANCE HOME SUBSIDY PER UNIT	MINIMUM PERIOD OF AFFORDABILITY
Under $15,000	5 Years
$15,000 - $40,000	10 Years
Over $40,000	15 Years

Rental Housing Projects. Grants for rental housing projects will be subject to affordability requirements based upon the project type and the amount of HOME subsidy per unit. See *Section H-4, Affordability Terms For Rental Projects*. Prior to drawing down HOME funds, owners of rental projects will be required to sign a grant note, deed of trust and restrictive covenant to enforce the HOME affordability period.

4. LEVEL OF SUBSIDY

MINIMUM HOME DOLLARS	$ 1,000	PER UNIT
MAXIMUM HOME DOLLARS	$47,890	0-BEDROOM (EFFICIENCY) LIMIT
	$54,8976	1-BEDROOM LIMIT
	$66,755	2-BEDROOM LIMIT
	$86,358	3-BEDROOM LIMIT
	$94,795	4-BEDROOM OR MORE LIMIT

5. PROPERTY STANDARDS

Minimal property standards must be met when HOME funds are used for a project. Any housing constructed or rehabilitated with THDA grant funds under the HOME program must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion.

In the absence of a local code, new construction of multi-family apartments of 3 or more units must meet the 2003 International Building Code; new construction or reconstruction of single-family units or duplexes must meet the 2003 International Residential Code for One- and Two-Family Dwellings; and rehabilitation of rental units or existing homeowner units must meet the 2003 International Property Maintenance Code. In addition, rental units must, at a minimum, continue to meet Section 8 Housing Quality Standards (HQS) on an annual basis.

The International Code books are available from:

International Code Council
4051 W. Flossmore Road
Country Club Hills, IL 60478-5795
Telephone: (800) 786-4452
Fax: (866) 891-1695

Website: www.iccsafe.org

Energy Code. New construction projects must meet the 2003 International Energy Conservation Code. Copies of the Energy Code may also be obtained from the International Code Council at the address listed above.

Section 504. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of handicap, and imposes requirements to ensure that qualified individuals with handicaps have access to these programs and activities.

For new construction of multi-family projects (five or more units), a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2%, at a minimum, of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The total number of units in a HOME-assisted project, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.

The Section 504 definition of substantial rehabilitation for multi-family projects includes construction in a project with 15 or more units for which the rehabilitation costs will be 75% or more of the replacement cost. In such developments, a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2%, at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the total number of units in a HOME-assisted, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all of the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.

When rehabilitation less extensive than substantial rehabilitation is undertaken in projects of 15 or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with handicaps, until a minimum of 5% of the units (but not less than one unit) are accessible to people with mobility impairments. For this category of rehabilitation, the additional 2% of units requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible.

6. AFTER REHABILITATION PROPERTY VALUE

F*or homeowner rehabilitation projects*, the maximum after rehabilitation value permitted for the type of single-family housing (1-4 family residence, condominium, cooperative unit, combination manufactured home and lot) shall not exceed 95% of the median purchase price for the area as established by HUD. The after rehabilitation value is determined by adding the appraised value of the land and improvements from the county assessor's office and the cost of the rehabilitation (construction hard costs plus project soft costs). See **Attachment Three: Property Value Limits.** These limits are also the sales price limits for homeownership programs.

H. ADDITIONAL REQUIREMENTS FOR HOME RENTAL HOUSING PROGRAMS

1. INCOME AND RENT REQUIREMENTS FOR HOME TENANTS AT INITIAL OCCUPANCY

Rental housing will qualify as affordable only if, INITIALLY, the income composition is as follows:

Five or more units. In the case of projects with five or more rental units or in the case of an owner of multiple one or two unit projects with a total of five or more rental units:

20% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 50% or less of median income, adjusted for family size, and must pay the Low HOME rents;

70% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 60% or less of median, adjusted for family size, and may pay the High HOME rents. (60% of median income is computed by multiplying the family income at 50% of the median, adjusted for family size, by 120%); and

The remaining 10% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 80% or less of median income, adjusted for family size, and may pay the High HOME rents.

Four or less units. If the five or more unit rule does not apply to your project, then the tenants may pay the High HOME rents and the income composition *at initial occupancy is:*

10% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 80% or less of median income, adjusted for family size; and

90% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 60% or less of median income, adjusted for family size.

2. LONG TERM OCCUPANCY REQUIREMENTS FOR HOME TENANTS

Owners of rental property are required to maintain occupancy of units by low income and very low income persons for an affordability period ranging from 5 to 20 years.

Five or more units. In the case of projects with five or more rental units or in the case of an owner of multiple one or two unit projects with a total of five or more rental units:

During the applicable affordability period, 80 percent of the HOME-assisted units must be occupied by persons with incomes at or below 80 percent of median income, adjusted for family size, and may pay the High HOME rents;

20 percent of the HOME-assisted units must be occupied by households with incomes at or below 50 percent of median income, adjusted for family size, and pay the Low HOME rents.

Four or less units. In the case of projects with less than five rental units, all of the tenants may pay the High HOME rents and have incomes at or below 80 percent of area median income, adjusted for family size.

Tenants whose annual incomes increase to over 80 percent of median may remain in occupancy but must pay no less than 30 percent of their adjusted monthly income for rent and utilities.

HOME-assisted units retain their HOME designation for the entire period of affordability. However, units that are designated as Low HOME rent units and High HOME rent units can, but are not required to, "float" within the HOME-assisted units to maintain compliance with long-term occupancy requirements.

The owner shall make every effort to keep the project in compliance during the affordability period by leasing the next available unit to an individual at the income level needed for compliance.

3. RENT LEVELS

Every HOME assisted unit is subject to rent controls designed to make sure that rents are affordable to low or very low-income households. These maximum rents may be referred to as HOME rents. See **Attachment Six: HOME Program Rents.**

Rents are controlled for the length of the applicable affordability period. These rents are determined on an annual basis by HUD. The owner will be provided with these rents, which include all utilities. ***The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published HOME rents to determine the maximum allowable rents.*** HOME rents are not necessarily representative of market conditions and HOME rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median income over time, the HOME rents for a project are not required to be lower than the HOME rents for the project in effect at the time of project commitment. HOME rents represent the following:

> *HIGH HOME RENTS.* The *LESSER* of Fair Market Rents for existing units as determined by HUD *OR* 30% of 65% of median income, adjusted for family size.
>
> *LOW HOME RENTS*. This rent is equal to 30% of 50% of median income, adjusted for family size.

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents and Low HOME rents are maximum rents which can be charged. Each project should show market feasibility not based upon the High and Low HOME rents, but rather upon area housing markets and HOME occupancy requirements which demand occupancy by low-income persons. Rents shall not exceed the published High and Low HOME rents, adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to lower income tenants, actual rents may be lower than the High and Low HOME rents. Programs should be designed so they take into consideration the market feasibility of projects funded.

4. AFFORDABILITY TERMS FOR RENTAL PROJECTS

HOME assisted Rental units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per unit:

ACTIVITY	$ PER HOME UNIT	AFFORDABILITY PERIOD
Rehabilitation or Acquisition of existing housing	Less than $14,999	5 years
Rehabilitation or Acquisition of existing housing	$15,000 - $40,000	10 years
Rehabilitation or Acquisition of existing housing or rehabilitation involving refinancing	Over $40,000	15 years
New Construction or Acquisition of New Housing		20 years

5. GRANTEE'S ON-GOING OBLIGATIONS FOR RENTAL PROPERTY

After the project is officially closed out by letter to the Grantee, the record will be transferred to the Program Compliance Division of THDA for long-term compliance monitoring. The Program Compliance Division will provide Grantees with information on HOME Long Term Compliance. Each Grantee will be monitored annually to determine each project's compliance with the HOME Rules and Regulations. Each Grantee will also be monitored for adherence to its contract with THDA.

The rental housing long term monitoring requirements are the responsibility of the Grantees. They are responsible for:

a Annual income certification of tenants;

b. Adherence to the HOME rent and income composition guidelines;

c. Compliance with the Standard Housing Codes or Section 8 Housing Quality Standards;

d. Reporting to THDA.

I. HOME RELOCATION REQUIREMENTS

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION. PRIOR TO APPLICATION, CONTACT THDA IF YOU ARE PLANNING ANY PROJECT THAT MAY INVOLVE DISPLACEMENT OR RELOCATION.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations, 49 CFR Part 24 requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often very deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between the owner and the grantee and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or family; (3) has income above or below the Section 8 Lower Income Limit.

WHO IS A DISPLACED PERSON? - Any person (family, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME funds. Relocation requirements apply to all occupants of a project/site for which HOME assistance is sought even if less than 100% of the units are HOME assisted.

WHO IS NOT A DISPLACED PERSON? - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA) as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

HOW IS DISPLACEMENT TRIGGERED?

Before Application. A tenant moves permanently from the property before the owner submits an application for HOME assistance **if** THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for HOME assistance.)

After Application. A tenant moves permanently from the property after submission of the application, or, if the applicant does not have site control, the date THDA or the local program administrator approves the site because: (1) the owner requires the tenant to move permanently; or (2) the owner fails to provide timely required notices to the tenant; or (3) the tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

After Execution of Agreement. A tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

J. HOME RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

The Tennessee Housing Development Agency will replace all occupied and vacant occupiable lower income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with funds provided under the HOME Investment Partnership Act.

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing Tennessee Housing Development Agency to provide funds for a project that will directly result in the demolition or conversion, the Tennessee Housing Development Agency will make public by and submit to HUD, Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units must submit the following information to THDA:

1. A description of the proposed assisted project;

2. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project;

3. A time schedule for the commencement and completion of the demolition or conversion;

4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;

5. The source of funding and a time schedule for the provision of the replacement housing;

6. The basis for concluding that the replacement housing will remain lower income housing for at least 10 years from the date of initial occupancy; and

7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

K. EQUAL OPPORTUNITY AND FAIR HOUSING

No person in the United States shall on the grounds of race, color, national origin, religion, age, disability, familial status, or sex be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

Fair Housing Act	24 CFR 100
Executive Order 11063, as amended (Equal Opportunity in Housing)	24 CFR 107
Title VI of the Civil Rights Act of 1964 (Nondiscrimination in Federal programs)	24 CFR 1
Age Discrimination Act of 1975	24 CFR 146
Section 504 of the Rehabilitation Act of 1973	24 CFR 8
Executive Order 11246, as amended (Equal Employment Opportunity Programs)	41 CFR 60
Section 3 of the Housing & Urban Development Act of 1968	24 CFR 135

Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low-income persons, particularly those who are recipients of government assistance for housing.

Executive Order 11625, as amended (Minority Business Enterprises)

Executive Order 12432, as amended (Minority Business Enterprise Development)

Executive Order 12138, as amended (Women’s Business Enterprise)

Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

L. SITE AND NEIGHBORHOOD STANDARDS

General. Housing provided through the HOME program must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto; and promotes greater choice of housing opportunities.

New rental housing. In carrying out the site and neighborhood requirements with respect to new construction of rental housing, the grantee is responsible for making the determination that proposed sites for new construction meet the requirements in 24 CFR 983.6(b) which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.

These rules are complex and subject to interpretation. Several common sense actions will help in deciding on projects. Avoid action which would ultimately increase the racial segregation in your communities. Review rental new construction plans with your HUD field office. Try to get input from the Fair Housing person and the program person. Identify and address community concerns about projects to the greatest extent possible before committing funds.

M. AFFIRMATIVE MARKETING

Local programs must adopt affirmative marketing procedures and requirements for all HOME rental housing with five or more units. These must be approved by THDA prior to any HOME funds being committed to a project. Requirements and procedures must include:

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;

2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;

3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;

4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and

5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

N. ENVIRONMENTAL REVIEW

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA as the Participating Jurisdiction and the units of local government funded by THDA will be responsible for carrying out environmental reviews. THDA will approve the release of funds for local governments and must request the release of funds from HUD for any projects of CHDOs or non-profit organizations. The CHDOs and non-profit organizations will be responsible for gathering the information required for the environmental reviews. HOME funds cannot be committed until the environmental review process has been completed. Commitments for expenditures made prior to the approval of the environmental review cannot be reimbursed with HOME funds.

O. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323). In a rental project in which not all units are assisted with HOME funds, the lead-based paint requirements apply to all units and common areas in the project.

P. LABOR STANDARDS

Davis-Bacon wage compliance and other Federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitating or constructing 12 or more units assisted with HOME funds. The contract for construction must contain the applicable wage provisions and labor standards. Davis-Bacon does not apply to projects using volunteer labor or to sweat equity projects.

Q. DEBARMENT AND SUSPENSION

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

R. FLOOD PLAINS

HOME funds may generally not be invested in housing located in an area identified by the Federal Emergency Management Agency as having special flood hazards. THDA discourages projects located in special flood hazard areas, but in a few instances and with written permission from THDA, houses located in a floodplain may be assisted. The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

S. CONFLICT OF INTEREST

In the procurement of property and services, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. In all cases not governed by 24 CFR 85.36 and 24 CFR 84.42 the conflict of interest provisions of the HOME Rule apply.

The conflict of interest provisions of the HOME program are more strict than those of other federal programs. The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or subrecipient receiving HOME funds. No person listed above who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project. This provision does not apply to an owner-occupant of single-family housing or to an employee or agent of the owner or developer of a rental housing project who occupies a HOME-assisted unit as the project manager or maintenance worker.

THDA no longer routinely considers requesting exceptions to the conflict of interest provisions from HUD.

T. PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow their procurement policies and meet state and federal requirements. At a minimum, cities and counties must comply with 24 CFR 85.36 and non-profits (including CHDOS) must comply with 24 CFR 84.40 – 84.48.

Applicants should obtain 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections and work write-ups. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

U. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Part 92, as amended; and documentation of an approved growth plan and the formation of a Joint Economic and Community Development Board (JECDB) prior to the submission of the 2007 HOME application. Threshold requirements for special needs applications includes documentation that funding for support services for program beneficiaries has been secured.

Additional requirements for non-profit organizations, including CHDOs, are listed on **Attachment One: Non-Profit Checklist/CHDO Designation**. Documentation must be submitted along with the completed Checklist to demonstrate that the organization meets threshold requirements and has the capacity to provide affordable housing for low income households, including the administration of the proposed project.

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the nine regional rounds, the special needs round or the CHDO round, based on the following categories:

REGIONAL AND SPECIAL NEEDS MATRICES	Up to 190 Points

1. CAPABILITY — Up to 50 points

- The proposed program demonstrates exceptional planning, readiness and administrative capability. — Up to 20 points
  - The program design is complete and all necessary components to accomplish the project are identified in the application.
  - Program administrators have been identified.
  - Individuals/firms providing architectural, construction management and/or inspection services have been identified.
  - Local government is involved in the administration of the project.
  - The lead inspector/risk assessor has been identified, if applicable.
  - For rental projects, potential sites have been identified.
  - For rental projects, there is a demonstrated capability to secure financial arrangements which exceeds threshold requirements.
- THDA assessment of the qualifications, training and previous performance of the consultant, applicant (if administering own project) and the inspector. — Up to 20 points
  - General knowledge of grants administration.
  - Ability to administer housing programs.
    - Number of projects underway.
    - Number of successfully completed projects.
  - Qualifications of the individual or firm completing the work write-ups and inspections.
  - Available resources and staff to assist in the administration of the project.

➢ Amount of program administrator's relevant experience. Up to 10 points

- If previous experience under HOUSE or HOME, the ability to draw down funds; the ability to complete a project in a timely manner; monitoring findings; and response to client concerns or complaints.
- If no previous experience under HOUSE or HOME, relevant training, partnerships or mentoring arrangements with experienced administrators
- Oversight of rental housing programs.

2. NEED — Up to 50 points

THDA has calculated need factors using housing statistics for counties. Factors are based on percentages rather than absolute numbers. For homeowner projects, the need factors used are the percentage of owner households that are low income; the percentage of low income owner households with cost burden or other problems; and the percent of affordable owner units built before 1960. Scores to be used in the evaluations are shown in **Attachment Seven: 2007 HOME Need Scores for Homeowner Projects.**

For rental projects, the county need factors used are the number of affordable units per 100 low income households; the percentage of low income households with cost burden or other problems; and the percentage of affordable units built before 1960. Scores to be used in the evaluation of rental projects are shown in **Attachment Eight: 2007 HOME Need Scores for Rental Projects**.

For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

3. NOT PROPORTIONALLY SERVED — Up to 50 points

THDA shall award up to 50 additional points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 2004, 2005 and 2006 HOME dollars awarded in each county. These calculations are shown in **Attachment Nine: HOME Program Not Proportionally Served**. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

4. DISASTER AREAS. — 10 points

THDA shall award 10 additional points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. See **Attachment Ten: Disaster Counties** for the current disaster areas.

5. LEVERAGE. — Up to 10 points

THDA shall award up to 10 additional points to applications that include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. (See Match and Leverage – Page 8.) In order to receive points, there must be written documentation of the leveraged funds in the application.

6. ENERGY CONSERVATION. — Up to 10 points

THDA shall award up to 10 additional points to applications that contain energy conservation measures which exceed conservation measures required by local codes or the international codes.

7. THREE-STAR PROGRAM. Up to 10 points

THDA shall award up to 10 additional points to applications from communities participating in the Department of Economic and Community Development's Three-Star Program with a housing component. In order to receive the points, there must be written documentation of the activity(ies) the community initiated to further affordable housing in the application.

CHDO MATRIX Up to 180 Points

1. CAPABILITY Up to 50 points

- The proposed project demonstrates exceptional planning and readiness. Up to 25 points
  - The program design is complete and all necessary components to accomplish the project are identified in the application.
  - Sites have been identified and CHDO has site control.
  - Feasibility worksheet is complete and demonstrates need for HOME funds.
  - CHDO has the capacity to secure other funding for the project. Commitment letters are included in the application.
- The organization demonstrates sufficient capacity beyond threshold. Up to 25 points
  - The organization has produced successful affordable housing projects.
  - The organization has a demonstrated capacity to manage rental or homeownership programs, if applicable.
  - The agency's budget reflects multiple sources of funding.
  - If previous experience under HOUSE or HOME, the ability to draw down funds; the ability to complete a project in a timely manner; monitoring findings; and response to client concerns or complaints.

2. NEED Up to 50 points

THDA has calculated need factors using housing statistics for counties. Factors are based on percentages rather than absolute numbers. For homeowner projects, the need factors used are percentage of owner households that are low income; the percentage of low income owner households with cost burden or other problems; and the percent of affordable owner units built before 1960. Scores to be used in the evaluations are shown in **Attachment Seven: 2007 HOME Need Scores for Homeowner Projects.**

For rental projects, the county need factors used are the number of affordable units per 100 low income households; the percentage of low income households with cost burden or other problems; and the percentage of affordable units built before 1960. Scores to be used in the evaluation of rental projects are shown in **Attachment Eight: 2007 HOME Need Scores for Rental Projects**.

For multi-county projects, the need score is calculated proportionately according to the number of units proposed for each county.

3. NOT PROPORTIONALLY SERVED Up to 50 points

THDA shall award up to 50 additional points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 2004, 2005 and 2006 HOME dollars awarded in each county. These calculations are shown in

Attachment Nine: HOME Program Not Proportionally Served. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

4. DISASTER AREAS. 10 points

THDA shall award 10 additional points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. See **Attachment Ten: Disaster Counties** for the current disaster areas.

5. LEVERAGE. Up to 10 points

THDA shall award up to 10 additional points to applications that include the use of funds from other sources. THDA will award point in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. In order to receive point, there must be written documentation for the leveraged funds in the application.

6. ENERGY CONSERVATION. Up to 10 points

THDA shall award up to 10 additional points to applications that contain energy conservation measures which exceed conservation measures required by local codes or the international codes.